

Department of Economic Security

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5,472.9	5,503.5	5,654.1 ^{1/}
Personal Services	128,355,600	142,345,900	82,897,400
Employee Related Expenditures	59,845,500	66,073,100	39,973,300
Professional and Outside Services	19,494,100	21,531,100	17,656,700
Travel - In State	1,552,800	1,596,300	458,000
Travel - Out of State	37,200	43,900	43,900
Other Operating Expenditures	51,892,400	59,896,900	46,746,600
Equipment	9,713,000	9,486,600	7,230,400
OPERATING SUBTOTAL	270,890,600	300,973,800	195,006,300 ^{2/3/4/5/6/}
SPECIAL LINE ITEMS			
Administration			
Attorney General Legal Services	20,878,900	21,727,600	10,563,100
Aging and Adult Services			
Adult Services	7,924,100	6,924,100	6,924,100
Community and Emergency Services	3,350,300	3,724,000	3,724,000
Coordinated Homeless	2,416,500	2,522,600	2,522,600
Domestic Violence Prevention	11,420,500	12,123,700	12,123,700 ^{7/8/}
Benefits and Medical Eligibility			
TANF Cash Benefits	53,999,400	44,999,400	44,999,400
Coordinated Hunger	1,701,800	1,754,600	1,754,600
Tribal Pass-Through Funding	4,680,300	4,680,300	4,680,300
Child Support Enforcement			
County Participation	6,449,400	8,600,200	8,600,200
Children, Youth and Families			
Division of Children, Youth and Families Operating Lump Sum Appropriation	0	0	166,689,200
Division of Children, Youth and Families Attorney General Legal Services	0	0	20,307,100
Children Support Services	70,334,400	79,168,300	155,053,400 ^{9/}
CPS Emergency and Residential Placement	33,948,000	24,001,700	80,969,300 ^{9/}
Foster Care Placement	17,160,400	23,112,600	52,251,200 ^{9/}
Grandparent Stipends	0	0	1,000,000 ^{10/}
Independent Living Maintenance	1,671,600	2,719,300	3,469,300
Intensive Family Services	0	0	5,000,000 ^{11/}
Permanent Guardianship Subsidy	11,283,700	11,215,300	11,215,300
Adoption Services	63,744,600	74,772,000	177,554,600
Developmental Disabilities ^{12/13/14/15/}			
Case Management - Medicaid	41,937,100	39,117,400	39,524,400
Home and Community Based Services - Medicaid	588,650,800	710,554,400	763,056,000
Institutional Services - Medicaid	19,736,400	19,452,900	20,303,700
Medical Services	120,335,200	139,046,900	144,909,500
Arizona Training Program at Coolidge - Medicaid	16,675,000	15,716,600	15,761,200
Medicare Clawback Payments	2,496,900	2,848,400	3,072,000
Case Management - State Only	4,012,900	3,913,700	3,926,600
Home and Community Based Services - State Only	17,349,800	32,615,300	33,443,200
State-Funded Long Term Care Services	26,531,900	26,528,100	26,528,100
Employment and Rehabilitation Services			
JOBS			
Day Care Subsidy	110,923,400	121,396,600	130,396,600 ^{16/}
Rehabilitation Services	4,683,400	4,799,100	4,799,100
Independent Living Rehabilitation Services	0	1,289,400	1,289,400
Workforce Investment Act Services	42,452,700	51,654,600	51,654,600 ^{17/}

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
Agencywide			
Contingency Funding	0	0	10,500,000 ^{18/}
AGENCY TOTAL	1,589,738,800	1,804,958,500 ^{19/}	2,226,577,700 ^{20/-22/}
FUND SOURCES			
General Fund	596,086,400	619,717,200	690,112,900 ^{23/}
<u>Other Appropriated Funds</u>			
Child Abuse Prevention Fund	0	1,459,100	1,459,100
Child Support Enforcement Administration Fund	11,998,800	16,765,000	16,787,400 ^{4/}
Children and Family Services Training Program Fund	72,100	207,500	207,700
Domestic Violence Shelter Fund	2,220,000	2,220,000	2,220,000 ^{7/8/}
Federal CCDF Block Grant	121,508,100	130,726,100	130,769,700
Federal TANF Block Grant	228,235,900	221,011,500	221,007,100 ^{24/}
Long Term Care System Fund (Non-Federal Matched)	30,522,200	75,075,300	86,912,600 ^{24/25/}
Public Assistance Collections Fund	65,400	427,400	427,000
Special Administration Fund	112,200	1,129,900	2,829,900
Spinal and Head Injuries Trust Fund	1,705,200	1,873,100	1,874,700
Statewide Cost Allocation Plan Fund	0	1,000,000	1,000,000
Workforce Investment Act Grant	44,424,000	56,054,400	56,060,000 ^{17/}
SUBTOTAL - Other Appropriated Funds	440,863,900	507,949,300	521,555,200
SUBTOTAL - Appropriated Funds	1,036,950,300	1,127,666,500	1,211,668,100
<u>Expenditure Authority Funds</u>			
Child Support Enforcement Administration Fund (EA)	35,153,300	40,397,800	40,397,800
Division of Children, Youth, and Families Expenditure Authority	0	0	294,170,400
Developmental Disabilities Medicaid Expenditure Authority [Long Term Care System Fund (Federal Match)]	517,635,200	636,894,200	680,341,400 ^{25/}
SUBTOTAL - Expenditure Authority Funds	552,788,500	677,292,000	1,014,909,600
SUBTOTAL - Appropriated/Expenditure Authority Funds	1,589,738,800	1,804,958,500	2,226,577,700
Other Non-Appropriated Funds	568,234,000	449,953,500	420,135,000
Federal Funds	1,259,949,600	941,270,800	447,736,100
TOTAL - ALL SOURCES	3,417,922,400	3,196,182,800	3,094,448,800

AGENCY DESCRIPTION — The department provides an array of services for low-income households and others in need. These services are provided through the following divisions: Administration; Developmental Disabilities; Benefits and Medical Eligibility; Child Support Enforcement; Aging and Adult Services; Children, Youth and Families; and Employment and Rehabilitation Services.

^{1/} Includes 1,608.5 GF, 731.5 OF, and 1,120.6 EA FTE Positions funded from Special Line Items in FY 2014.

^{2/} In accordance with A.R.S. § 35-142.01, the Department of Economic Security shall remit to the Department of Administration any monies received as reimbursement from the federal government or any other source for the operation of the Department of Economic Security West Building and any other building lease-purchased by the State of Arizona in which the Department of Economic Security occupies space. The Department of Administration shall deposit these monies in the state General Fund. (General Appropriation Act footnote)

^{3/} The Operating Lump Sum Appropriation may be expended on Arizona Health Care Cost Containment System eligibility determinations based on the results of the Arizona random moment sampling survey. (General Appropriation Act footnote)

^{4/} All state share of retained earnings, fees and federal incentives above \$16,787,400 received by the Division of Child Support Enforcement are appropriated for operating expenditures. New full-time equivalent positions may be authorized with the increased funding. Before the expenditure of these increased monies, the Department of Economic Security shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

^{5/} The Department of Economic Security shall provide training to any new Child Protective Services FTE Positions before assigning to any of these employees any client caseload duties. (General Appropriation Act footnote)

^{6/} It is the intent of the Legislature that the Department of Economic Security use the funding in the Division of Children, Youth and Families to achieve a 100% investigation rate. (General Appropriation Act footnote)

^{7/} All Domestic Violence Shelter Fund monies above \$2,220,000 received by the Department of Economic Security are appropriated for the Domestic Violence Prevention line item. Before the expenditure of these increased monies, the Department of Economic Security shall report the intended use of monies above \$2,220,000 to the Joint Legislative Budget Committee. (General Appropriation Act footnote)

- 8/ The Department of Economic Security shall report to the Joint Legislative Budget Committee on the amount of state and federal monies available statewide for domestic violence funding on or before December 15, 2013. The report shall include, at a minimum, the amount of monies available and the state fiscal agent receiving those monies. (General Appropriation Act footnote)
- 9/ Of the amounts appropriated for Children Support Services, CPS Emergency and Residential Placement and Foster Care Placement, the department may transfer up to 10% of the total amount of Federal Temporary Assistance for Needy Families Block Grant monies appropriated to the Department of Economic Security to the Social Services Block Grant for use in the following line items in the Division of Children, Youth and Families: Children Support Services, CPS Emergency and Residential Placement and Foster Care Placement. Before transferring Federal Temporary Assistance for Needy Families Block Grant monies to the Social Services Block Grant, the department shall report the proposed amount of the transfer to the Director of the Joint Legislative Budget Committee. This report may be in the form of an expenditure plan that is submitted at the beginning of the fiscal year and updated, if necessary, throughout the fiscal year. (General Appropriation Act footnote)
- 10/ The amount appropriated for Grandparent Stipends shall be used for a monthly stipend for a grandparent or great-grandparent if a dependent child is placed in the grandparent's or great-grandparent's care pursuant to department guidelines or as directed by legislation enacted in the 51st Legislature, 1st Regular Session. (General Appropriation Act footnote)
- 11/ Before the expenditure of monies from the Intensive Family Services Special Line Item in FY 2014, the Department of Economic Security shall submit an expenditure plan for review by the Joint Legislative Budget Committee. The expenditure plan shall include an estimate of any comparable funding in the Children Support Services Special Line Item. (General Appropriation Act footnote)
- 12/ It is the intent of the Legislature that the Department of Economic Security increase home and community based service provider rates by 3% above the June 30, 2013 rate beginning on July 1, 2013. (General Appropriation Act footnote)
- 13/ The department shall report to the Joint Legislative Budget Committee on or before March 1 of each year on preliminary actuarial estimates of the capitation rate changes for the following fiscal year along with the reasons for the estimated changes. For any actuarial estimates that include a range, the total range from minimum to maximum shall be not more than 2%. Before implementation of any changes in capitation rates for the Long Term Care program, the department shall report for review the expenditure plan to the Joint Legislative Budget Committee. Before the department implements any changes in policy affecting the amount, sufficiency, duration and scope of health care services and who may provide services, the department shall prepare a fiscal impact analysis on the potential effects of this change on the following year's capitation rates. If the fiscal analysis demonstrates that these changes will result in additional state costs of \$500,000 or greater for a given fiscal year, the department shall submit the policy changes for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 14/ Prior to the implementation of any developmentally disabled or Long Term care statewide provider rate adjustments not already specifically authorized by the Legislature, court mandates or changes to federal law, the department shall submit a report for review by the Joint Legislative Budget Committee. The report shall include, at a minimum, the estimated cost of the provider rate adjustment and the ongoing source of funding for the adjustment, if applicable. (General Appropriation Act footnote)
- 15/ The Department of Economic Security shall report all new placements into a state-owned ICF-MR or the Arizona Training Program at Coolidge Campus in FY 2014 to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee and the reason why this placement, rather than a placement into a privately run facility for the developmentally disabled, was deemed as the most appropriate placement. The department shall also report if no new placements were made. This report shall be made available on or before July 15, 2014. (General Appropriation Act footnote)
- 16/ Of the \$130,396,600 appropriated for Day Care Subsidy, plus any funding authorized to be deferred to FY 2015, \$115,119,900 is for a program in which the upper income limit is no more than 165% of the federal poverty level. (General Appropriation Act footnote)
- 17/ All Federal Workforce Investment Act monies that are received by this state in excess of \$56,060,000 are appropriated to the Workforce Investment Act Services line item. Before the expenditure of these increased monies, the Department of Economic Security shall report the intended use of monies above \$56,060,000 to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 18/ Before the expenditure of monies from the Contingency Funding Special Line Item in FY 2014, the Department of Economic Security shall submit an expenditure plan to the Joint Legislative Budget Committee for its review. Monies in the Contingency Projects Special Line Item shall be spent only to address unanticipated shortfalls in Child Protective Services or in the Day Care Subsidy Special Line Item. (General Appropriation Act footnote)
- 19/ In addition to these amounts, the FY 2013 General Appropriation Act included a one-time FY 2013 adjustment of \$(1,452,800) GF for a state employee health insurance premium holiday. *(Please see the FY 2013 General Fund Adjustments section.)*
- 20/ The above appropriations are in addition to funds granted to the state by the federal government for the same purposes but shall be deemed to include the sums deposited in the State Treasury to the credit of the Department of Economic Security, pursuant to A.R.S. § 42-5029. (General Appropriation Act footnote)
- 21/ A monthly report comparing total expenditures for the month and year-to-date as compared to prior year totals shall be forwarded to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee on or before the 30th of the following month. The report shall include an estimate of potential shortfalls in entitlement programs and potential federal and other funds, such as the statewide assessment for indirect costs, and any projected surplus in state supported programs that may be available to offset these shortfalls and a plan, if necessary, for eliminating any shortfall without a supplemental appropriation. (General Appropriation Act footnote)
- 22/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 23/ Laws 2012, Chapter 294 appropriated \$35,000,000 from the General Fund in FY 2014 to account for the deferral of FY 2013 payments into FY 2014 so that \$35,000,000 does not appear in the FY 2014 General Appropriation Act. Laws 2013, 1st Special Session, Chapter 1 appropriates \$35,000,000 in FY 2015 to reflect the deferral of FY 2014 payments to FY 2015.
- 24/ Any Federal Temporary Assistance for Needy Families Block Grant monies received in FY 2014, including the beginning balance, by the Department of Economic Security in excess of \$221,007,100 is appropriated to the department in FY 2014. For every dollar the Department of Economic Security receives in Federal Temporary Assistance for Needy Families Block Grant monies in FY 2014 in excess of the \$221,007,100 appropriated, minus any FY 2013 reverts expected to be spent as administrative adjustments in FY 2014, there shall be a corresponding dollar reduction in the department's Long Term Care System Fund appropriation. The department shall report to the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting on or before September 1, 2013 its estimate of how much of its FY 2013 revertment will be spent as administrative adjustments in FY 2014 and excluded from the total amount of Federal Temporary Assistance for Needy Families Block Grant monies. On or before June 30, 2014, the department shall notify the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting of the amount of Long Term Care System Fund monies, if any, that will not be expended under this provision. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 25/ All monies in the Long Term Care System Fund unexpended and unencumbered at the end of FY 2014 revert to the state General Fund, subject to approval by the Arizona Health Care Cost Containment System Administration. (General Appropriation Act footnote)

Summary

The Department of Economic Security's (DES) FY 2014 General Fund spending increased by \$70,395,700, or 11.4% above FY 2013. These changes include:

- \$7,130,500 for new FY 2014 Developmentally Disabled (DD) Medicaid formula changes. This funds \$5,374,800 for the annualization of the April 1, 2013 provider rate adjustment.
- \$9,988,300 for a 3% DD capitation rate increase in FY 2014.
- \$13,000,000 for the backfill of one-time monies in Emergency and Residential Placement.
- \$12,923,300 for 150 Child Protective Services (CPS) staff. Given the 50 staff authorized in the FY 2013 supplemental, total staffing would grow by 200 FTE Positions.
- \$4,804,100 for Foster Care caseload growth and receiving homes.
- \$1,549,300 plus matching Federal Funds to add 22 attorneys for CPS legal support.
- \$9,000,000 to maintain the FY 2013 Child Care caseload level, as well as providing for Child Care caseload growth in CPS.
- \$2,875,400 for Adoption Services caseload growth.
- \$5,000,000 to reestablish Intensive Family Services.
- \$4,000,000 for caseload growth in Children Support Services.
- \$1,000,000 to provide Grandparent Stipends for children in unlicensed kinship foster care.
- \$(1,379,600) to consolidate Long Term Care System Fund expenditures from the Department of Health Services into DES.
- \$504,400 for statewide adjustments.

Operating Budget

The budget includes \$195,006,300 and 2,193.5 FTE Positions in FY 2014 for the operating budget. These amounts consist of:

	FY 2014
General Fund	\$92,893,200
Child Support Enforcement Administration Fund	13,066,300
Child Support Enforcement Administration Fund (EA)	26,547,900
Federal Temporary Assistance for Needy Families (TANF) Block Grant	20,409,900
Federal Child Care and Development Fund (CCDF) Block Grant	12,073,200
Long Term Care System Fund	1,337,500
Long Term Care System Fund (EA)	22,671,900
Public Assistance Collections Fund	335,400
Special Administration Fund	1,719,000
Spinal and Head Injuries Trust Fund	546,600
Statewide Cost Allocation Plan Fund	1,000,000
Workforce Investment Act Grant	2,405,400

These amounts fund the following adjustments:

Unemployment Insurance Program Collectors

The budget includes an increase of \$1,700,000 and 21.6 FTE Positions from the Special Administration Fund in FY 2014 to backfill expiring Federal Funds for unemployment insurance (UI) program collectors, who are dedicated to recouping delinquent employer UI payments and erroneous or fraudulent UI benefit disbursements.

Funding Exchange

The budget includes an increase of \$1,379,600 from the Long Term Care System Fund and a decrease of \$(1,379,600) from the General Fund to consolidate the Department of Health Services' (DHS) Long Term Care System funding into DES.

Children Support Services Funding

The budget includes a decrease of \$(339,600) from the General Fund in FY 2014 to show DES' intended use of the funding in Children Support Services instead of the operating budget.

Funding Shift

The budget includes a decrease of \$(106,752,300) and (1,448.4) FTE Positions in FY 2014 to display operating budget funding for the Division of Children, Youth and Families (DCYF) as a separate operating budget. These amounts consist of:

General Fund	(53,858,300)
Children and Family Services Training Program Fund	(206,600)
Federal TANF Block Grant	(52,687,400)

Statewide Adjustments

The budget includes a decrease of \$(575,600) in FY 2014 for statewide adjustments. This amount consists of:

General Fund	(406,400)
Child Support Enforcement Administration Fund	13,100
Children and Family Services Training Program Fund	(900)
Federal TANF Block Grant	(189,800)
Federal Child Care and Development Fund (CCDF) Block Grant	43,500
Long Term Care System Fund	(42,100)
Public Assistance Collections Fund	(200)
Spinal and Head Injuries Trust Fund	1,600
Workforce Investment Act Grant	5,600

(Please see the Agency Detail and Allocations section.)

The FY 2014 Health and Welfare Budget Reconciliation Bill (BRB) (Laws 2013, 1st Special Session, Chapter 10) allows, as session law, DES use of the LTCSF for any DES operational or programmatic expenses in FY 2014.

Administration

Attorney General Legal Services

The budget includes \$10,563,100 and 160.1 FTE Positions in FY 2014 for Attorney General Legal Services. These amounts consist of:

General Fund	1,313,600
Child Support Enforcement Administration Fund	2,382,000
Federal TANF Block Grant	169,400
Federal CCDF Block Grant	17,700
Federal Expenditure Authority	6,588,800
Public Assistance Collections Fund	91,600

These amounts fund the following adjustments:

Funding Shift

The budget includes a decrease of \$(11,033,400) and (151.1) FTE Positions in FY 2014 to display Attorney General Legal Services funding for DCYF as a separate special line item. These amounts consist of:

General Fund	(10,981,100)
Federal TANF Block Grant	(52,300)

Statewide Adjustments

The budget includes a decrease of \$(131,100) in FY 2014 for statewide adjustments. This amount consists of:

General Fund	(140,000)
Child Support Enforcement Administration Fund	9,300
Federal TANF Block Grant	(300)
Federal CCDF Block Grant	100
Public Assistance Collections Fund	(200)

Monies in this line item fund all non-DCYF Attorney General Legal Services for the department.

Aging and Adult Services

Adult Services

The budget includes \$6,924,100 from the General Fund in FY 2014 for Adult Services. This amount is unchanged from FY 2013.

This line item provides an array of independent living support to elderly persons, distributed as shown in *Table 1*.

Table 1

Services	FY 2014
Adult Protective Contracted Services	\$ 276,900
Supplemental Payments	132,700
Home Care	2,396,600
Older Americans Act	2,000,000
Assessments and Case Management	1,655,900
Respite Care	462,000
Total	\$6,924,100

Community and Emergency Services

The budget includes \$3,724,000 from the Federal TANF Block Grant in FY 2014 for Community and Emergency Services. This amount is unchanged from FY 2013.

Monies in this line item provide funding to 15 community action agencies to deliver a wide range of services related to the needs of low-income families and individuals. In FY 2012, this line item provided short-term crisis services to 2,083 households, energy assistance to 50,689 households, and 30,571 households participated in telephone discount programs.

Coordinated Homeless

The budget includes \$2,522,600 in FY 2014 for Coordinated Homeless programs. This amount consists of:

General Fund	873,100
Federal TANF Block Grant	1,649,500

These amounts are unchanged from FY 2013.

In FY 2012, this line item provided emergency shelter services to 13,136 individuals and transitional shelter services to 2,015 individuals.

Domestic Violence Prevention

The budget includes \$12,123,700 in FY 2014 for Domestic Violence Prevention. This amount consists of:

General Fund	3,283,000
Federal TANF Block Grant	6,620,700
Domestic Violence Shelter Fund	2,220,000

These amounts are unchanged from FY 2013.

In FY 2012, this line item, along with non-appropriated funds, served approximately 9,569 women and children in emergency shelters, 473 women and children in transitional housing, and 11,171 victims with legal and lay legal advocacy.

Benefits and Medical Eligibility

TANF Cash Benefits

The budget includes \$44,999,400 from the Federal TANF Block Grant in FY 2014 for TANF Cash Benefits. This amount is unchanged from FY 2013.

The appropriation funds a regular TANF Cash Benefits caseload of approximately 34,346 recipients each month at a cost of \$90 per recipient and a monthly Grant Diversion caseload of 848 at a cost of \$777 per case. As of May 2013, the program had a TANF Cash Benefits caseload of 36,770 individual recipients at an average cost of about \$90 per recipient and a Grant Diversion caseload of 848 at an average cost of \$777 per case. The TANF Grant Diversion Program's purpose is to divert applicants from receiving long term regular TANF Cash Benefits by offering immediate, one-time assistance to resolve a financial crisis.

The FY 2014 Government BRB (Laws 2013, 1st Special Session, Chapter 2) includes a session law provision continuing to require recipients of TANF Cash Benefits pass a drug test in order to be eligible for benefits if DES has reasonable cause to believe that the recipient uses illegal drugs.

Monies in this line item provide financial assistance on a temporary basis to dependent children in their own homes, or in the homes of responsible caretaker relatives. There is a 24-month cumulative lifetime time limit on regular TANF Cash Benefits. Financial eligibility is currently set at 36% of the 1992 Federal Poverty Level (FPL), or \$5,022 for a family of 4.

Coordinated Hunger

The budget includes \$1,754,600 in FY 2014 for Coordinated Hunger programs. This amount consists of:

General Fund	1,254,600
Federal TANF Block Grant	500,000

These amounts are unchanged from FY 2013.

State and federal dollars are used to administer a USDA commodities food program, to assist in statewide food distribution, and for food banks. Monies are also used to provide information on where individuals and families can obtain food. In FY 2012, the USDA Commodities Food Program served 478,388 households quarterly. On an annual basis, over 5,221,348 individuals are served through this program.

Tribal Pass-Through Funding

The budget includes \$4,680,300 from the General Fund in FY 2014 for Tribal Pass-Through Funding. This amount is unchanged from FY 2013.

Monies in this line item are passed through to Native American tribes operating their own TANF programs. When originally implemented, program funding was designed to be roughly equivalent to what the state was spending on the population when the state still had responsibility for the case assistance program for any particular tribe.

Child Support Enforcement

The Division of Child Support Enforcement (DCSE) budget includes direct appropriations from the following 4 fund sources: 1) General Fund; 2) State Share of Retained Earnings (SSRE) from child support owed to the state while the custodial parent received TANF Cash Benefits; 3) Federal incentives and 4) Fees from non-custodial parents.

The last 3 fund sources are deposited in the Child Support Enforcement Administration (CSEA) Fund and appropriated as an Other Appropriated Fund. In addition to the General Fund and CSEA Fund appropriations, the displayed amounts also include Federal Expenditure Authority for DCSE. The federal monies received by DCSE generally match state funds at a ratio of 66% federal to 34% state.

Table 2 details the sources and uses of the CSEA Fund.

Sources	FY 2014
Balance Forward	\$ 1,850,000
State Share of Retained Earnings	5,500,000
Federal Incentive Payments	6,500,000
Fees	1,730,000
Excess Appropriation Authority	<u>3,524,900</u>
Total	\$19,104,900
Uses	
DCSE Administration	\$16,787,400
Administration (Non-Appropriated)	<u>2,317,500</u>
Total	\$19,104,900

County Participation

The budget includes \$8,600,200 in FY 2014 for County Participation. This amount consists of:

CSEA Fund	1,339,100
Federal Expenditure Authority	7,261,100

These amounts are unchanged from FY 2013.

The division contracts with several Arizona counties to operate child support programs in those counties. This line item reflects contracting counties' SSRE and federal incentives, as well as expenditure authority for the federal match.

Children, Youth and Families

For FY 2014, the Legislature appropriated the division's resources on a Total Expenditure Authority basis. The Total Expenditure approach acknowledges all of the resources available to DCYF but does not appropriate any specific non-appropriated fund.

The budget provides funding of \$481,270,200 for Child Protective Services (CPS) in 7 separate line items (*see Table 3*).

CPS Funding Sources and Uses	
Sources	
	FY 2014
General Fund	\$164,674,300
Federal TANF Block Grant	109,076,300
Long Term Care System Fund (Non-Federal Matched)	12,339,600
Children and Family Services Training Program Fund	207,700
Child Abuse Prevention Fund	1,459,100
DCYF Expenditure Authority	<u>193,513,200</u>
Total	\$481,270,200
Uses	
DCYF Operating Budget	\$166,689,200
DCYF Attorney General Legal Services	20,307,100
Children Support Services	155,053,400
CPS Emergency & Residential Placement	80,969,300
Foster Care Placement	52,251,200
Grandparent Stipends	1,000,000
Intensive Family Services	<u>5,000,000</u>
Total	\$481,270,200

DES deposits TANF into the federal Social Services Block Grant (SSBG); once deposited, the monies are spent on the Children Services program. The federal government caps the amount of TANF Block Grant monies that can be transferred to the SSBG at 10%. A footnote in the General Appropriation Act allows DES to make this transfer of TANF monies in the Children Support Services, CPS Emergency and Residential Placement, and Foster Care Placement line items to the SSBG. This amount is estimated at \$20,014,100 in FY 2014. The transfer to SSBG provides additional funding flexibility to DES.

The FY 2014 Health and Welfare BRB requires, as session law, DES, JLBC, and the Governor's Office of Strategic Planning and Budgeting to evaluate reporting requirements for CPS and make recommendations for adding, eliminating, and consolidating reports. The legislation also instructs the Auditor General to evaluate and report on certain expenditures for Children Support Services.

DCYF Operating Lump Sum Appropriation

The budget includes \$166,689,200 and 1,562.4 FTE Positions in FY 2014 for the DCYF operating budget. These amounts consist of:

General Fund	67,429,100
Children and Family Services Training Program Fund	207,700
Federal TANF Block Grant	52,872,900
DCYF Expenditure Authority	46,179,500

These amounts fund the following adjustments:

CPS Staff

The budget includes \$15,931,700 and 114 FTE Positions in FY 2014 for new CPS staff. These amounts consist of:

General Fund	12,923,300
DCYF Expenditure Authority	3,008,400

The Expenditure Authority funding adds an additional 36 FTE Positions, which are not reflected in the appropriated FTE Position total. Of these 150 FTE Positions, the 93 case carrying positions have an average salary of \$45,300. With the continuation of \$4,409,200 and 50 supplemental CPS staff authorized for FY 2013 in Laws 2013, Chapter 1, total CPS staff grows by 200 positions. (*Please see the Additional Legislation section for more information on the FY 2013 CPS staff supplemental.*)

Funding Shift

The budget includes an increase of \$106,752,300 and 1,448.4 FTE Positions in FY 2014 to display operating budget funding for the Division of Children, Youth and Families (DCYF) as a separate operating budget. These amounts consist of:

General Fund	53,858,300
Children and Family Services Training Program Fund	206,600
Federal TANF Block Grant	52,687,400

Expenditure Authority

The budget includes an increase of \$43,171,100 from DCYF Expenditure Authority in FY 2014 to display total resources available for the special line item.

Statewide Adjustments

The budget includes an increase of \$834,100 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	647,500
Children and Family Services Training Program Fund	1,100
Federal TANF Block Grant	185,500

Monies in this line item are for the DCYF operating budget.

DCYF Attorney General Legal Services

The budget includes \$20,307,100 and 166.1 FTE Positions in FY 2014 for DCYF Attorney General Legal Services. These amounts consist of:

General Fund	12,768,500
Federal TANF Block Grant	52,600
DCYF Expenditure Authority	7,486,000

These amounts fund the following adjustments:

CPS Legal Support

The budget includes \$2,466,400 and 15 FTE Positions in FY 2014 for additional CPS attorneys. These amounts consist of:

General Fund	1,549,300
DCYF Expenditure Authority	917,100

DCYF Expenditure Authority funding adds an additional 7 FTE Positions, which are not reflected in the appropriated FTE Position total.

Funding Shift

The budget includes an increase of \$11,033,400 and 151.1 FTE Positions in FY 2014 to display Attorney General Legal Services funding for DCYF as a separate special line item. These amounts consist of:

General Fund	10,981,100
Federal TANF Block Grant	52,300

Expenditure Authority

The budget includes an increase of \$6,568,900 from DCYF Expenditure Authority in FY 2014 to display total resources available for the special line item.

Statewide Adjustments

The budget includes an increase of \$238,400 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	238,100
Federal TANF Block Grant	300

Monies in this line item fund all Attorney General Legal Services for DCYF.

Children Support Services

The budget includes \$155,053,400 and 1 FTE Position in FY 2014 for Children Support Services. These amounts consist of:

General Fund	36,954,400
Federal TANF Block Grant	32,754,700
Child Abuse Prevention Fund	1,459,100
Long Term Care System Fund	12,339,600
DCYF Expenditure Authority	71,545,600

These amounts fund the following adjustments:

Caseload Growth

The budget includes an increase of \$4,000,000 from the General Fund in FY 2014 for caseload growth in Children Support Services.

Funding Shift from Operating Budget

The budget includes an increase of \$339,600 from the General Fund in FY 2014 to show DES' intended use of the funding in Children Support Services instead of the operating budget.

Expenditure Authority

The budget includes an increase of \$71,545,600 from DCYF Expenditure Authority in FY 2014 to display total resources available for the special line item.

Statewide Adjustments

The budget includes a decrease of \$(100) from the Federal TANF Block Grant in FY 2014 for statewide adjustments.

The Children Support Services line item provides support services for both in-home and out-of-home clients. This does not include the cost of residential placement. For March 2013, the department reported 14,314 out-of-home children and 5,245 in-home cases.

This line item also funds Arizona Families F.I.R.S.T. Individuals must meet 1 of the following 2 requirements to qualify for the program:

- Any parent, guardian or custodian of a child who is named in a CPS report as a victim of abuse or neglect and whose substance abuse is a significant barrier to maintaining, preserving or reunifying the family.
- A person whose substance abuse is a significant barrier to obtaining or maintaining employment if the person is receiving TANF Cash Benefits.

The budget for Arizona Families F.I.R.S.T. is outlined in *Table 4*.

	Arizona Families F.I.R.S.T.			
	FY 2011	FY 2012	FY 2013	FY 2014
	Actual	Estimate	Estimate	Estimate
<i>Appropriated</i>				
General Fund	\$3,778,300	\$ 15,000	\$ 15,000	\$ 15,000
TANF	4,000,000	9,523,900	10,192,300	12,156,600
<i>Non-Appropriated</i>				
CPS Expedited	-	-	247,000	-
Substance Abuse Treatment Fund	-	-	-	-
Joint Substance Abuse Trtmt Fund	-	-	610,800	-
Total	\$7,778,300	\$9,538,900	\$11,065,100	\$12,171,600

In FY 2012, 6,154 CPS clients were referred to the Arizona Families F.I.R.S.T. program for substance abuse

treatment services, and it is anticipated that 5,000 CPS clients will be referred to the program in FY 2013 and FY 2014.

The Children Support Services line item also provides full coverage of the medical and dental expenses of foster children. The General Fund monies in this program provide medical services to children who are not eligible for coverage through the Arizona Health Care Cost Containment System (AHCCCS).

The budget also includes \$10,300,000 in deferred FY 2013 General Fund payments appropriated in FY 2014 by Laws 2012, Chapter 294 and it defers the same amount for FY 2014 to FY 2015. As a result, the FY 2014 General Fund amount of \$36,954,400 would consist of \$10,300,000 from Chapter 294 and \$26,654,400 from the FY 2014 General Appropriation Act.

CPS Emergency and Residential Placement

The budget includes \$80,969,300 in FY 2014 for CPS Emergency and Residential Placement. This amount consists of:

General Fund	24,578,700
Federal TANF Block Grant	12,423,000
DCYF Expenditure Authority	43,967,600

These amounts fund the following adjustments:

Backfill One-Time Funding

The budget includes an increase of \$13,000,000 from the General Fund in FY 2014 for the backfill of one-time funding, the majority of which was from SSBG.

Expenditure Authority

The budget includes an increase of \$43,967,600 from DCYF Expenditure Authority in FY 2014 to display total resources available for the special line item.

The CPS Emergency and Residential Placement line provides funding for 1) short-term placement until a more permanent placement can be arranged and 2) behavioral or other therapeutic residential treatment.

In March 2013, 344 children were reported in emergency placements at an average monthly cost of \$3,600 per child, while 1,738 children were reported in residential placements at an average monthly cost of \$3,300 per child. Funding in this special line item will provide for 2,153 emergency and residential placements in FY 2014 at an average monthly cost per child of \$3,134.

The budget also includes \$1,800,000 in deferred FY 2013 General Fund payments appropriated in FY 2014 by Laws 2012, Chapter 294 and it defers the same amount for FY 2014 to FY 2015. As a result, the FY 2014 General Fund amount of \$24,578,700 would consist of \$1,800,000 from

Chapter 294 and \$22,778,700 from the FY 2014 General Appropriation Act.

Foster Care Placement

The budget includes \$52,251,200 in FY 2014 for Foster Care Placement. This amount consists of:

General Fund	16,943,600
Federal TANF Block Grant	10,973,100
DCYF Expenditure Authority	24,334,500

These amounts fund the following adjustments:

Caseload Growth

The budget includes \$8,616,700 in FY 2014 for caseload growth of 13%, funding 6,544 foster care placements at an average monthly cost per child of \$638. The funding also provides for 200 placements in foster care receiving homes at an average monthly cost per child of \$896. Foster care receiving homes are available 24/7 to receive children on a temporary basis until other placement options become available. This amount consists of:

General Fund	4,804,100
DCYF Expenditure Authority	3,812,600

Expenditure Authority

The budget includes an increase of \$20,521,900 from DCYF Expenditure Authority in FY 2014 to display total resources available for the special line item.

The Foster Care Placement line provides funding for the placement of children in the CPS system into foster homes. This line item only includes the cost of the maintenance payments, not additional support services. In March 2013, 11,504 children were reported in foster care. Of that number, 5,675 children were placed with relatives in unlicensed foster care. The remaining 5,829 children were in licensed foster care at an average monthly cost of \$670 per child.

The budget also includes \$1,900,000 in deferred FY 2013 General Fund payments appropriated in FY 2014 by Laws 2012, Chapter 294 and it defers the same amount for FY 2014 to FY 2015. As a result, the FY 2014 General Fund amount of \$16,943,600 would consist of \$1,900,000 from Chapter 294 and \$15,043,600 from the FY 2014 General Appropriation Act.

Grandparent Stipends

The budget includes \$1,000,000 from the General Fund in FY 2014 for Grandparent Stipends.

Grandparent Stipends

The budget includes an increase of \$1,000,000 from the General Fund in FY 2014 for Grandparent Stipends.

The program provides a \$75-a-month stipend per child to an unlicensed foster grandparent or great-grandparent who has an income that does not exceed 200% of the Federal Poverty Level, does not receive TANF Cash Benefits, and does not receive a permanent guardianship subsidy.

Independent Living Maintenance

The budget includes \$3,469,300 in FY 2014 for Independent Living Maintenance. This amount consists of:

General Fund	2,719,300
DCYF Expenditure Authority	750,000

These amounts fund the following adjustments:

Expenditure Authority

The budget includes an increase of \$750,000 from DCYF Expenditure Authority in FY 2014 to display total resources available for the special line item.

The Independent Living Maintenance program provided stipends to 283 former foster youth between 18 and 21 in March 2013. These youth are living on their own and are either enrolled in a postsecondary program or employed.

Intensive Family Services

The budget includes \$5,000,000 from the General Fund in FY 2014 for Intensive Family Services.

Intensive Family Services

The budget includes an increase of \$5,000,000 from the General Fund in FY 2014 for Intensive Family Services.

The program provides contracted intensive, time-limited services to families whose children are at imminent risk of out-of-home placement due to abuse, neglect, or dependency. A footnote in the FY 2014 General Appropriation Act directs DES to submit an expenditure plan for review by the Joint Legislative Budget Committee outlining any comparable funding in the Children Support Services Special Line Item. *(Please see footnote 11.)*

Permanent Guardianship Subsidy

The budget includes \$11,215,300 in FY 2014 for Permanent Guardianship Subsidy. This amount consists of:

General Fund	9,472,300
Federal TANF Block Grant	1,743,000

These amounts are unchanged from FY 2013.

The Guardianship Subsidy program supports permanent placements for children who cannot return home and for

whom adoption is not an option. The guardianship subsidy is intended to be only a partial reimbursement for expenses involved in the care of the child. The funding only provides for maintenance subsidies, which are provided to assist with the expenses involved in addressing the special needs of the child. In March 2013, 2,479 clients received permanent guardianship subsidies.

Adoption Services

The budget includes \$177,554,600 in FY 2014 for Adoption Services. This amount consists of:

General Fund	50,947,100
Federal TANF Block Grant	19,802,400
Long Term Care System Fund	6,897,900
DCYF Expenditure Authority	99,907,200

These amounts fund the following adjustments:

Caseload Growth

The budget includes \$12,006,100 in FY 2014 for caseload growth of 8%, funding 18,976 adoption placements. This amount consists of:

General Fund	2,875,400
DCYF Expenditure Authority	9,130,700

Expenditure Authority

The budget includes an increase of \$90,776,500 from DCYF Expenditure Authority in FY 2014 to display total resources available for the special line item.

The program subsidizes the adoption of children who otherwise would entail high financial risks to prospective parents because of physical, mental, or emotional disorders or who would be otherwise difficult to place in adoption because of age, sibling relationship, or racial or ethnic background. The funding provides for maintenance subsidies, special services subsidies, expenditures related to the legal process of adopting a child, and adoption home recruitment costs. In March 2013, 17,741 clients received adoption subsidies.

Developmental Disabilities

DES provides services to individuals with cognitive disabilities, cerebral palsy, autism, or epilepsy. Clients eligible for federal Medicaid program services are funded through the Long Term Care (LTC) program. To qualify for federal funding, an individual must have an income below 300% of the Supplemental Security Income (SSI) eligibility limit, which is approximately 222% of the FPL, and have certain functional needs. The division also provides 100% state-funded services for clients who are not eligible for federal Medicaid services.

As of April 2013, the Division of Developmental Disabilities serves 32,866 clients, which includes 25,579 clients in the LTC program and 7,287 clients in the state-only portion. The primary disabilities of these clients are shown in *Table 5*.

<u>Disability</u>	<u>Number</u>	<u>Percentage</u>
Cognitive Disability	14,330	44%
At Risk	7,857	24%
Autism	5,947	18%
Cerebral Palsy	3,150	10%
Epilepsy	1,451	4%
Not Indicated	131	<1%

The LTC program is funded from 2 sources: the General Fund and the Long Term Care System Fund.

Overall DES Formula Adjustments

The budget includes an increase of \$17,118,800 from the General Fund in FY 2014 for DES formula changes. Changes are described in further detail below.

As the AHCCCS-authorized provider of DD services, DES receives federal monies through prepaid monthly capitation payments based on rates for types of clients.

FMAP Adjustments

The Federal Medical Assistance Percentage (FMAP) is the rate at which the federal government matches state contributions to Medicaid programs. These rates are set on a state-by-state basis and are revised each year. During FY 2014, the Medicaid FMAP will increase to 66.84% (0.75% increase). The increased FMAP results in additional General Fund savings of \$(7,535,200).

FY 2014 Caseload Growth

The budget includes a net increase of \$9,290,900 from the General Fund in FY 2014 for DD caseload changes. From FY 2013 to FY 2014, caseloads are expected to grow by 4.5% to a level of 26,544 in June 2014.

Table 6 summarizes the average monthly caseload estimates for the Special Line Items (SLIs). All clients are eligible for Medical Services and Case Management as necessary, but not all clients access other services in any particular month.

<u>Special Line Item</u>	<u>Clients</u>
Home and Community Based Services	23,459
Institutional Services	108
Arizona Training Program at Coolidge	97
Subtotal	23,664
Case Management/Medical Services only	2,280
Total	26,544

Annualization of FY 2013 Provider Rate Adjustments

The FY 2013 budget included a 2% provider rate increase for DD providers beginning April 1, 2013. The FY 2014 budget continues that increase and includes an additional \$5,374,800 for a full year of provider rate increases.

FY 2014 Capitation Rate Adjustments

The budget includes a 3% net capitation rate increase beginning July 1, 2013. The increased capitation rate results in an additional General Fund cost of \$9,988,300 in FY 2014. The General Appropriation Act contains a footnote that it is the intent of the Legislature that DES increase provider rates for home and community service providers by 3% in FY 2014.

Case Management - Medicaid

The budget includes \$39,524,400 and 755.5 FTE Positions in FY 2014 for Medicaid Case Management. These amounts consist of:

General Fund	12,928,200
Long Term Care System Fund	26,596,200

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$1,551,800 from the General Fund and a corresponding decrease from the Long Term Care System Fund in FY 2014 for formula adjustments. The formula adjustments consist of the federal match rate change.

Statewide Adjustments

The budget includes an increase of \$407,000 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	97,900
Long Term Care System Fund	309,100

Background – In addition to providing case management services to an estimated 23,664 clients receiving direct services, this line item also funds “case management only” services to another 2,280 clients.

Home and Community Based Services - Medicaid

The budget includes \$763,056,000 and 94.5 FTE Positions in FY 2014 for Medicaid Home and Community Based Services (HCBS). These amounts consist of:

General Fund	252,943,000
Long Term Care System Fund	510,113,000

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$52,383,500 in FY 2014 for formula adjustments:

General Fund	3,309,600
Long Term Care System Fund	49,073,900

Statewide Adjustments

The budget includes an increase of \$118,100 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	14,400
Long Term Care System Fund	103,700

The formula adjustments include 4.5% enrollment growth in FY 2014, the annualization of the April 2013 provider rate increase, a 3% provider rate increase, and changes to the federal match rate.

Background – Monies in this line item fund residential programs, day programs, and support services for clients in a broad range of settings, from those living independently at home to those living in group homes. It also funds staff in state-operated group homes, excluding the Arizona Training Program at Coolidge (ATP-C). Approximately 23,459 individuals are expected to receive Medicaid home and community based services in June 2014.

Of the \$763,056,000 in this line item, \$750,747,300 funds HCBS services to clients enrolled in the LTC program; the other \$12,308,700 funds program staff.

The budget also includes \$20,000,000 in deferred FY 2013 General Fund payments appropriated in FY 2014 by Laws 2012, Chapter 294 and it defers the same amount for FY 2014 to FY 2015. As a result, the FY 2014 General Fund amount of \$252,943,000 would consist of \$20,000,000 from Chapter 294 and \$232,943,000 from the FY 2014 General Appropriation Act.

Institutional Services - Medicaid

The budget includes \$20,303,700 and 74 FTE Positions in FY 2014 for Medicaid Institutional Services. These amounts consist of:

General Fund	6,703,800
Long Term Care System Fund	13,599,900

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$810,700 in FY 2014 for formula adjustments:

General Fund	1,315,300
Long Term Care System Fund	(504,600)

The formula adjustments include 4.5% enrollment growth in FY 2014, the annualization of the April 2013 provider rate increase, a capitation rate increase, and changes to the federal match rate.

Statewide Adjustments

The budget includes an increase of \$40,100 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	3,800
Long Term Care System Fund	36,300

Background – Monies in this line item fund residential and day programs to clients with more severe developmental disabilities. These clients reside in Intermediate Care Facilities for Persons with Intellectual Disabilities (ICF-IDs) (formerly referred to as ICF-MRs) or other nursing facilities, both privately and state-operated, excluding the ATP-C. Approximately 108 individuals are expected to receive Medicaid institutional services in June 2014.

Of the \$20,303,700 in this line item, \$14,738,200 funds Institutional Services to clients enrolled in the LTC program; the other \$5,565,500 funds program staff.

Medical Services

The budget includes \$144,909,500 and 35.4 FTE Positions in FY 2014 for Medical Services. These amounts consist of:

General Fund	48,022,000
Long Term Care System Fund	96,887,500

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$5,825,300 in FY 2014 for formula adjustments:

General Fund	9,441,500
Long Term Care System Fund	(3,616,200)

The formula adjustments include 4.5% enrollment growth in FY 2014, the annualization of the April 2013 provider rate increase, a capitation rate increase, and changes to the federal match rate.

Statewide Adjustments

The budget includes an increase of \$37,300 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	3,600
Long Term Care System Fund	33,700

Background – Of the \$144,909,500 in this line item, \$140,431,500 funds Acute Care services to clients enrolled in the LTC program; the other \$4,478,000 funds the staff of the division’s Managed Care unit.

Arizona Training Program at Coolidge - Medicaid

The budget includes \$15,761,200 and 383.7 FTE Positions in FY 2014 for the Arizona Training Program at Coolidge (ATP-C). These amounts consist of:

General Fund	5,288,300
Long Term Care System Fund	10,472,900

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$448,900 from the General Fund in FY 2014 for formula adjustments and a corresponding decrease from the Long Term Care System Fund. This formula adjustment consists of the federal match rate change.

Statewide Adjustments

The budget includes an increase of \$44,600 in FY 2014 for statewide adjustments. This amount consists of:

General Fund	32,600
Long Term Care System Fund	12,000

Background – Monies in this line item fund an entire range of services for DD clients residing at the ATP-C campus, either in ICF-IDs or state-operated group homes (SOGHs). The June 2014 caseload is estimated at 97. At that caseload, the blended cost per DD client at ATP-C will be \$153,000.

Medicare Clawback Payments

The budget includes \$3,072,000 in FY 2014 for Medicare Clawback Payments. This amount consists of:

General Fund	223,600
Long Term Care System Fund	2,848,400

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$223,600 from the General Fund in FY 2014 for formula growth associated with Medicare Clawback Payments.

Background – DES is not required to pay for prescription drug costs for members who are also eligible for Medicare. Instead, DES is required to make “Clawback” payments to Medicare based on a certain percent (76.7% in 2014) of the estimated drug costs.

Case Management - State-Only

The budget includes \$3,926,600 and 79.3 FTE Positions from the General Fund in FY 2014 for state-only case

management. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$12,900 from the General Fund in FY 2014 for statewide adjustments.

Background – This line item funds case management services to clients in the state-only DD program. As of April 2013, there are approximately 7,287 clients in the state-only program.

Home and Community Based Services - State-Only

The budget includes \$33,443,200 and 53.6 FTE Positions from the Long Term Care System Fund in FY 2014 for state-only Home and Community Based Services. These amounts consist of:

General Fund	6,982,100
Long Term Care System Fund	26,461,100

These amounts fund the following adjustments:

Formula Adjustments

The budget includes an increase of \$828,100 from the General Fund in FY 2014 for a 3% provider rate increase.

Statewide Adjustments

The budget includes a decrease of \$(200) from the Long Term Care System Fund in FY 2014 for statewide adjustments.

Background – This line item funds residential programs, day programs, and support services for clients in a broad range of settings, from those living independently at home to those living in group homes. It also includes funding for state-operated facilities, excluding ATP-C.

Of the \$33,450,000 in this line item, \$28,432,900 funds Home and Community Based Services to clients enrolled in the DD program, \$1,698,100 funds program staff, and \$3,319,000 funds the Arizona Early Intervention Program.

State-Funded Long Term Care Services

The budget includes \$26,528,100 and 2 FTE Positions from the Long Term Care System Fund in FY 2014 for State-Funded Long Term Care Services. These amounts are unchanged from FY 2013.

Background – This line item funds a variety of services ineligible for Federal Fund reimbursement from AHCCCS. The most common service provided in this line item is room and board. The program also funds residential and day programs to clients with more severe developmental disabilities. These clients reside in Large Group Living Facilities or other nursing facilities.

Of the \$26,528,100 in this line item, \$26,466,300 funds State-Funded Long Term Care Services to clients enrolled in the DD program; the other \$61,800 funds program staff.

Employment and Rehabilitation Services

JOBS

The budget includes \$13,005,600 and 93 FTE Positions in FY 2014 for JOBS. These amounts consist of:

General Fund	300,000
Federal TANF Block Grant	9,594,700
Workforce Investment Act Grant	2,000,000
Special Administration Fund	1,110,900

These amounts are unchanged from FY 2013.

This line item provides job training and job search services to clients currently receiving TANF Cash Benefits, as well to former TANF recipients. These services are contracted out to third-party vendors. *Table 7* highlights total estimated expenditures for the JOBS line item.

<u>Expenditures</u>	<u>Amount</u>
Case Management	\$ 9,904,100
Job Training	1,015,900
FLSA Supplement	155,900
Work-Related Transportation	1,729,700
Job Search Stipends	<u>200,000</u>
Total	\$13,005,600

Day Care Subsidy

The budget includes \$130,396,600 in FY 2014 for Day Care Subsidy. This amount consists of:

General Fund	9,000,000
Federal CCDF Block Grant	118,678,800
Federal TANF Block Grant	2,717,800

These amounts fund the following adjustments:

CPS Caseload Growth

The budget includes an increase of \$9,000,000 from the General Fund in FY 2014 for CPS child care caseload growth. The funding also backfills lost funds from the federal sequester, maintaining the FY 2013 caseload level for non-CPS categories of child care.

The FY 2014 Health and Welfare BRB includes a session law provision continuing to allow DES to reduce the maximum income eligibility levels for child care assistance to manage within appropriated and available monies. DES is required to report to JLBC within 15 days of implementing any change in eligibility levels.

This line item funds child care subsidies to TANF clients engaged in job activities, low-income working individuals under 165% of the FPL, and children in the CPS program.

This line item includes the Transitional Child Care program in which child care subsidies are provided to clients who no longer receive TANF Cash Benefits due to finding employment.

Depending on the population group to which they belong, the length of time for which families are eligible to receive child care subsidies is restricted by statute. For the low-income working population, there is a 60-month cumulative time limit per child. The Transitional Child Care benefit is available for 24 months, and eligible families receiving TANF Cash Benefits are eligible as long as they are receiving TANF Cash Benefits, which has a 24-month cumulative lifetime time limit. The only population for which there is no specified time limit is families referred by CPS and children in Foster Care.

Subsidy Rates - The average subsidy paid to providers per child is projected to be approximately \$351 per month in FY 2014. The maximum reimbursement rate paid by the state for a 2-year-old child in Maricopa County is \$26.60 per day.

Families in non-mandatory categories are required to make co-payments to defray the state's share of the cost of care. For families with an income level at or below 100% of the FPL, the required daily co-payment for their first child in care is \$2.00. Using the \$26.60 Maricopa rate, this \$2.00 co-payment would account for 7.5% of the total cost of care (with the state paying the other 92.5%). By comparison, a family at 165% FPL is required to make a co-payment of \$10.00 per child. Using the same scenario as above, a family at 165% FPL would contribute 37.6% of the child's day care costs.

Caseloads - The estimated average number of children receiving child care services in FY 2014 is projected to be 25,500 (see *Table 8*). DES initiated a waiting list for the Low-Income Working category of child care services on February 18, 2009. According to DES, as of June 2013, approximately 6,632 children had been found eligible for child care services and placed on the waiting list. It is unknown whether those children remain eligible.

<u>Category</u>	<u>Estimated FY 2014 ^{1/}</u>
TANF	3,400
CPS	9,200
Low-Income Working	7,000
Transitional Child Care SLI	<u>5,900</u>
Total Served	25,500

^{1/} Represents projected average caseload.

Rehabilitation Services

The budget includes \$4,799,100 in FY 2014 for Rehabilitation Services. This amount consists of:

General Fund	4,594,400
Spinal and Head Injuries Trust Fund	204,700

These amounts are unchanged from FY 2013.

Background – This line item funds services for the physically disabled to return them to the workforce. The federal government provides 78.7% of funding for every 21.3% of state match. The program is expected to serve up to 8,500 clients at an average Total Funds cost of \$9,300 per client. Administrative expenditures and local match draw down additional federal match.

The budget also includes \$1,000,000 in deferred FY 2013 General Fund payments appropriated in FY 2014 by Laws 2012, Chapter 294 and it defers the same amount for FY 2014 to FY 2015. As a result, the FY 2014 General Fund amount of \$4,594,400 would consist of \$1,000,000 from Chapter 294 and \$3,594,400 from the FY 2014 General Appropriation Act.

Independent Living Rehabilitation Services

The budget includes \$1,289,400 in FY 2014 for Independent Living Rehabilitation Services. This amount consists of:

General Fund	166,000
Spinal and Head Injuries Trust Fund	1,123,400

These amounts are unchanged from FY 2013.

The Independent Living Rehabilitation Services program is expected to serve up to 900 clients at an average Total Funds cost of \$5,300.

In addition to these clients, the division is also expected to serve 550 clients at an average annual cost of \$3,700 per client, using federal Social Services Block Grant.

Prior to FY 2013, monies in this line item were included in the Rehabilitation Services line item.

The line item assists severely disabled individuals in living more independently. Funds are used to purchase technology assistance, adaptive aids and devices, home modifications, and independent living skills training.

Workforce Investment Act Services

The budget includes \$51,654,600 from the Workforce Investment Act (WIA) Grant in FY 2014 for the

Workforce Investment Act Services line item. This amount is unchanged from FY 2013.

Background – These monies are the state’s allotment of the federal WIA Grant for job training activities of dislocated workers and disadvantaged adults and youth. Of the total grant received by the state, 95% is allocated to local governments and 5% is retained at the state level.

The allocation of the WIA Grant for workforce related programs in FY 2014 is shown in *Table 9*.

Category	Amount
WIA SLI	\$51,654,600
Administration	2,405,400 ^{1/}
JOBS	2,000,000 ^{2/}
Total	\$56,060,000

^{1/} This funding is included in the operating budget.
^{2/} This funding is included in the JOBS line item.

Agencywide

Contingency Funding

The budget includes \$10,500,000 from the Long Term Care System Fund in FY 2014 for Contingency Funding.

Contingency Funding

The budget includes an increase of \$10,500,000 from the General Fund in FY 2014 for Contingency Funding.

The line item provides funding to address unanticipated shortfalls in CPS or in the Day Care Subsidy Special Line Item. A footnote in the FY 2014 General Appropriation Act stipulates that the funding in this special line item be spent only to address unanticipated shortfalls in Child Protective Services or in the Day Care Subsidy Special Line Item. (*Please see footnote 18.*)

Additional Legislation

FY 2013 CPS Supplemental

Laws 2013, Chapter 1 appropriated \$4,409,200 and 50 FTE Position (CPS IV classification) from the General Fund in FY 2013 for new CPS staff. Funding for this policy was continued in the FY 2014 budget. The bill also required a monthly CPS financial and program accountability report until June 30, 2014.

CPS Reform

Laws 2013, Chapter 220 requires AHCCCS, DES and DHS to determine and report on the most effective method for delivering medical, dental and behavioral health services to children who qualify for the Comprehensive Medical and Dental Program, considering the possibility of

an administratively integrated system. These agencies are also required to determine specific behavioral health metrics about children in the foster care system. The report is due by October 1, 2015.

DES is also directed to (1) develop an alternate response for designated reports, (2) allow the reporting of instances of child abuse and neglect electronically, (3) add surreptitious viewing of a minor as a reportable offense, and (4) allow the Office of Child Welfare Investigations to employ research analysts and peace officers. The role of the Office of Child Welfare Investigations in Child Protective Services is also defined further in the legislation. The requirements in this paragraph also appear in the FY 2014 Criminal Justice BRB (Laws 2013, 1st Special Session, Chapter 5).

Under this legislation, the CPS oversight committee is reinstated with additional members until December 31, 2015. In addition, it instructs DES and DHS to issue quarterly financial and program accountability reports.

Other Issues

Automation Projects Transfer

The budget includes one-time FY 2014 transfers from this agency’s funds associated with its proportionate share of costs for replacement of the state’s financial accounting system. (Please see the Automation Projects narrative for more details.)

Payment Deferral

The budget continues the \$35.0 million payment deferral from FY 2014 to FY 2015. DES plans to defer a total of \$35.0 million in payments from the Special Line Items specified below:

Children Support Services	10,300,000
Emergency and Residential Placement	1,800,000
Foster Care Placement	1,900,000
Home and Community Based Services - Medicaid	20,000,000
Rehabilitation Services	1,000,000

The \$35.0 million in FY 2014 to pay the amount deferred from FY 2013 to FY 2014 was appropriated in Laws 2012, Chapter 294, so this adjustment does not appear in the General Appropriation Act; however, the amount is included in the General Fund amount for DES in this section. As a result, the FY 2014 General Fund amount of \$690.1 million would consist of \$35.0 million from the deferral appropriation and \$655.1 million from the General Appropriation Act.

Long Term Care System Fund

The budget includes an increase of \$11.8 million from the non-federally matched portion of the Long Term Care System Fund (LTCSF) in FY 2014 for the Contingency Projects Special Line Item and a funding exchange with

DHS. The FY 2013 budget appropriated \$44.5 million of LTCSF for caseload growth and to backfill the loss of Federal Funds.

The state deposits room and board charges to the LTCSF. Those ongoing monies of \$30.5 million primarily fund regular 100% state-funded DD programs and have not been used for other purposes in DES.

The vast majority of the LTCSF consists of federal payments made for the Developmental Disabilities (DD) program through a capitated system of payments. According to the terms of the federal agreement, the state assumes all liability for cost overages above the agreed capitation.

Conversely, if DES is able to operate the program at a cost less than the federal capitation rate, then DES is able to retain the “profit.” In addition and unrelated to the LTCSF profit, the state deposited one-time revenue from the DSH program (see AHCCCS narrative) into the LTCSF for FY 2013. The combination of the LTCSF profit, which was accumulated over multiple years, and the one-time DSH revenue is the \$44.5 million amount. This amount is the difference between LTCSF spending of \$30.5 million in FY 2012 and \$75.1 million in FY 2013 that the state used for caseload growth and Federal Funds' backfill in FY 2013 (see Table 10).

A FY 2013 General Appropriation Act footnote requires DES to report on the amount of LTCSF monies appropriated but not expended due to the receipt of additional TANF Block Grant monies. Based on this report DES will receive unanticipated TANF revenue of \$25.8 million in FY 2013, which makes the total TANF Block Grant higher than the FY 2013 appropriation of \$221.0 million. As a result, the additional TANF Contingency Fund revenue triggers the FY 2013 General Appropriation Act footnote stipulating that DES revert LTCSF monies dollar for dollar for TANF Block Grant monies received above \$221.0 million in FY 2013, including the beginning balance. This means that only \$18.7 million of the \$44.5 million increase will be appropriated from LTCSF in FY 2013, with the other \$25.8 million coming instead from the TANF Block Grant, thereby preserving more LTCSF for FY 2014. The budget table at the front of this section and Table 10 have not yet been adjusted for this revision. (For more information see TANF Block Grant section below.)

Theoretically, the capitated system of payments should not generate a profit in the long run. Capitation rates are renegotiated annually, and the federal government should be adjusting their rates accordingly. Nonetheless, there can still be multiple years where the state generates a profit.

Table 10

Long Term Care System Fund (Non-Federal Matched)			
	FY 2012	FY 2013	FY 2014
	Actual	Estimate	Estimate
Children Support Services	\$0	\$12,339,600	\$12,339,600
Adoption Services	0	6,897,900	6,897,900
Medicare Clawback Payments	0	2,848,400	2,848,400
Home & Community Based Services - State Only	3,990,300	26,461,300	26,461,100
State Funded Long Term Care Services	26,531,900	26,528,100	26,528,100
DHS Funding Exchange	-	-	1,337,500
Contingency Funding	-	-	10,500,000
Total	\$30,522,200	\$75,075,300	\$86,912,600

TANF Block Grant

The budget appropriates \$221.0 million of the state's federal TANF Block Grant allocation in FY 2014. *Table 11* shows expected yearly revenues, expenditures, and fund balances.

TANF revenues were reduced in FY 2012 due to the loss of the Population Supplemental revenues associated with the TANF Block Grant. Federal authorization for the Population Supplemental expired at the end of FY 2011 and Congress has not restored that funding. To offset the loss of the TANF Population Supplemental revenues and other federal monies, DES was appropriated an additional \$44.6 million from LTCSF in FY 2013. In the event that DES receives more TANF monies than anticipated, a General Appropriation Act footnote requires DES to revert LTCSF monies dollar for dollar for TANF Block Grant monies received above \$221.0 million in FY 2013, including the beginning balance.

Based on the latest information, DES is now forecast to receive additional TANF funding above \$221.0 million in FY 2013 because of unanticipated revenue from the TANF Contingency Fund, which is a reserve set aside for states with rising costs in TANF-related programs. This additional revenue will trigger \$25.8 million in additional TANF spending and an \$(25.8) million reduction in the LTCSF appropriation, as indicated in *Table 11* by footnote 4. The budget table at the front of this section, however, has not yet been adjusted for this revision.

Under revised General Appropriation Act footnotes, administrative adjustments from the prior fiscal year are not counted against the \$221.0 million appropriation in FY 2014 and FY 2013. The Legislature also added a footnote requiring that the department report to JLBC Staff and the Governor's Office of Strategic Planning and Budgeting by September 1, 2013 how much of the FY 2013 reverted

amount from the TANF Block Grant will be spent as administrative adjustments in FY 2014 and excluded from the total.

The Contingency Fund is not subject to the Federal Budget Control Act's sequester, so it is anticipated that DES will receive this funding again in FY 2014.

For FY 2014, the TANF Block Grant permanent revenues are projected to be \$20.9 million less than permanent spending. The Contingency Fund revenues are not included in the permanent revenue calculation.

Table 11

TANF Block Grant Spending

Revenues	Actual FY 2012	Estimate FY 2013	Estimate FY 2014
Beginning Balance	\$ 51,413,200	\$ 33,060,500	\$ -
Adjustment for Obligated Funds	-	(13,127,400) ^{1/}	-
TANF Base Revenues	200,141,300	200,141,300	200,141,300
TANF Population Supplemental Revenues	-	-	-
TANF Contingency Fund Revenues ^{2/}	17,409,400	26,763,600	26,763,600
Total TANF Available	\$ 268,963,900	\$ 246,838,000	\$ 226,904,900
Expenditures			
Special Line Item			
Operating	\$ 64,769,000	\$ 73,287,100	\$ 20,409,900
Administration			
Attorney General Legal Services	\$ 162,600	\$ 222,000	\$ 169,400
Aging and Adult Services			
Community and Emergency Services	\$ 3,350,300	\$ 3,724,000	\$ 3,724,000
Coordinated Homeless Programs	1,543,400	1,649,500	1,649,500
Domestic Violence Prevention	5,917,500	6,620,700	6,620,700
Total - Aging and Community Services	\$ 10,811,200	\$ 11,994,200	\$ 11,994,200
Benefits and Medical Eligibility			
TANF Cash Benefits	\$ 53,999,400	\$ 44,999,400	\$ 44,999,400
Coordinated Hunger Program	447,200	500,000	500,000
Total - Benefits and Medical Eligibility	\$ 54,446,600	\$ 45,499,400	\$ 45,499,400
Children, Youth and Families			
DCYF Operating	\$ -	\$ -	\$ 52,872,900
DCYF Attorney General Legal Services	-	-	52,600
Children Support Services ^{3/}	52,530,000	32,754,800	32,754,700
CPS Emergency and Residential Placement	14,369,300	12,423,000	12,423,000
Foster Care Placement	4,520,900	10,973,100	10,973,100
Permanent Guardianship Subsidy	4,211,400	1,743,000	1,743,000
Adoption Services ^{3/}	9,802,400	19,802,400	19,802,400
Total - Children, Youth and Families	\$ 85,434,000	\$ 77,696,300	\$ 130,621,700
Employment and Rehabilitation Services			
JOBS	\$ 11,894,700	\$ 9,594,700	\$ 9,594,700
Day Care Subsidy	717,800	2,717,800	2,717,800
Total - Employment and Rehabilitation Services	\$ 12,612,500	\$ 12,312,500	\$ 12,312,500
SUBTOTAL	\$ 228,235,900	\$ 221,011,500	\$ 221,007,100
Administrative Adjustments	5,328,800	-	- ^{1/}
General Appropriation Act Footnote Additional Authority ^{4/}	-	25,826,500 ^{2/}	5,897,800 ^{2/}
Non-Lapsing Authority from Prior Years	2,338,700	-	-
TOTAL - DEPARTMENT OF ECONOMIC SECURITY	\$ 235,903,400	\$ 246,838,000	\$ 226,904,900
Ending Balance	\$ 33,060,500	\$ -	\$ -
Permanent Revenues vs. Expenditures ^{5/}	\$ (28,094,600)	\$ (20,870,200)	\$ (20,865,800)

^{1/} Per a revised FY 2013 General Appropriation Act footnote, the portion of the FY 2012 carry-forward balance into FY 2013 that is used to pay administrative adjustments would be deducted from the FY 2013 beginning balance.

^{2/} Assumes Arizona receives contingency funds at the level the U.S. Department of Health & Human Services projects for FY 2013. DES has not received confirmation that it will continue to receive contingency funds in FY 2014, but this table assumes contingency funds will continue at the FY 2013 level in FY 2014.

^{3/} \$3,450,500 of TANF from Children Support Services and \$15,078,100 of TANF from Adoption Services was shifted to the General Fund in FY 2013.

^{4/} Per a General Appropriation Act footnote, all available TANF is appropriated to DES in FY 2013 and FY 2014. Therefore, the difference between the total TANF available and that fiscal year's TANF appropriation is included in the annual budget, and the department's LTCSF appropriation is reduced by the same amount.

^{5/} Difference between Base Revenues and Expenditure Subtotal. Contingency Fund Revenues are not included in Permanent Revenues.